

# ATTACHMENT: A

## Proposed Payment Scenarios for the Update Incentive Program

The replacement policy to SGR proposes an improved, quality-based fee for service (FFS) payment system wherein fee schedule providers are financially recognized for providing high quality care as compared to evidence-based quality measures. While there are multiple conceivable methods to apply these financial incentives for quality care, two options are described below.

The basis for each payment model is derived from the fee schedule provider's performance with regard to the quality measure set of their self-selected Peer Cohort. Performance compared to each competency based measure (or clinical practice improvement activity in Phase I) yields a numerical score, the aggregation of which results in a composite score. All fee schedule providers participating in the Update Incentive Program will receive a composite score at the end of each performance period. The composite scores can then be used in one of two proposed ways to determine the fee schedule provider update.

The proposed legislative description is as follows:

*IN GENERAL.—The Secretary shall establish one or more methods, applicable to each year beginning with [ ], to assess the performance of a fee schedule provider (using a scoring scale of 0 to 100) with respect to each quality measure included within the provider-selected quality measure set of such provider for the performance period established under subparagraph [ ] for such year and compute a composite quality score for such provider for such performance period which shall be the average of all of the performance assessment scores for such provider and period with respect to the quality measures included within the provider-selected quality measure set.. Such methods shall include methods for collecting information from fee schedule providers in order to make such assessments.*

The composite scores can then be used in one of two proposed ways to determine the fee schedule provider update:

**1). The “Threshold” or “Benchmark” Update Incentive Payment Model.** Under this scenario, all fee schedule providers have the opportunity to achieve the maximum update. As part of the quality measure set development process for each Peer Cohort, Specialty society and other relevant stakeholder input will be used to determine benchmarks (thresholds), which will be published prior to the performance period. A series of these benchmarks will be established with a composite score exceeding the highest benchmark receiving the highest update, and a composite score below the lowest benchmark receiving the lowest update. Intermediate benchmarks will receive intermediate update amounts. The number of benchmarks is to be determined and public comment on this variable as well as the overall concept is invited.

The proposed legislative description is as follows:

*GENERAL QUALITY OFFSET.—Subject to paragraphs [ ], if the composite quality score computed under subsection [ ] for a fee schedule provider for a year is—*

- (A) a score of [ ] or higher, the general quality offset under this paragraph for the provider and year shall be [ ];*
- (B) a score of at least [ ], but below [ ] the general quality offset under this paragraph for the provider and year shall be [ ];*
- (C) a score of at least [ ] but below [ ], the general quality offset under this paragraph for the provider and year shall be [ ];*
- (D) a score of at least [ ], but below [ ], the general quality offset under this paragraph for the provider and year shall be [ ];* or
- (E) a score below [ ], the general quality offset under this paragraph for the provider and year shall be [ ].*

**2). The Percentile Update Incentive Payment Model.** Under this scenario, all fee schedule providers within a Peer Cohort are competitively ranked by composite score. Payment updates correspond to the fee schedule provider's percentile ranking compared to his/her peers. The top performers by percentile will earn the highest update and a smoothing formula will be applied to avoid payment cliffs progressing down the percentile curve as updates decrease with decreasing percentile values.

The proposed legislative description is as follows:

*GENERAL QUALITY OFFSET.—Subject to paragraphs [ ], the general quality offset under this paragraph for a fee schedule provider for a year shall be determined based upon quality cohorts as follows:*

- (A) In the case of the quality cohort consisting of providers with a percentile quality ranking under subsection [ ] for the year that is at or above the [ ] percentile, the general quality offset shall be [ ].*
- (B) In the case of the quality cohort consisting of providers with a percentile quality ranking under such subsection for the year that is at or above the [ ] percentile, but below the [ ] percentile, the general quality offset shall be [ ].*
- (C) In the case of the quality cohort consisting of providers with a percentile quality ranking under such subsection for the year that is at or above the [ ] percentile, but below the [ ] percentile, the general quality offset shall be [ ].*
- (D) In the case of the quality cohort consisting of providers with a percentile quality ranking under such subsection for the year that is at or above the [ ] percentile, but below the [ ] percentile, the general quality offset shall be [ ].*
- (E) In the case of the quality cohort consisting of providers with a percentile quality ranking under such subsection for the year that is below the [ ] percentile, the general quality offset shall be [ ] percentage points.*

*SMOOTHING OFFSETS; REDUCTION OF POTENTIAL NOTCHES.—The Secretary may provide for such adjustments to the offsets under paragraphs [ ] and [ ] as may be appropriate to avoid disproportionately large differences in offsets for fee schedule providers based on small differences in performance of such providers.*